Rhode Island Health Reform Commission Executive Committee
May 13, 2013
Meeting Minutes

Present: Lt. Governor Elizabeth Roberts, Chris Koller, Richard Licht, Steven Constantino, Kelly Mahoney (listened in by conference call for informational purposes but did not participate in the meeting).

The single agenda item – affordability of health insurance coverage for low income families in the post-ACA environment – was discussed as follows:

1. The Lt. Governor called the meeting to order at 1:08pm. It was announced that Kelly Mahoney, Director of Policy for the Governor, would be listening to the meeting via a conference call line.

2. The Lt. Governor outlined the draft memo on the affordability issue that was made available to all in attendance (available upon request).

3. COMMISSIONER KOLLER sought to establish the legal boundaries for the Executive Committee recommendation that the Governor continue to maintain coverage for RIte Care enrolled parents to 175% of FPL. He asked whether under the maintenance of effort requirements under the Affordable Care Act, would it be permissible for RI to roll back eligibility to parents?
    a. Elena Nicolella explained that under ACA rules the state could roll back coverage for parents only and those parents would then be eligible for the Exchange.

4. THE LT. GOVERNOR Explained that the purpose of today's meeting is to make a policy recommendation to the Governor with respect to the three potential actions impacting affordability of health insurance for the population between 175% FPL and 150% FPL. She reminded the Committee that this would, of course, have in impact on the budget.
    a. **Action A – continue the state's policy of providing eligibility for parents up to 175% FPL.**
    b. **Action B – eliminate some or all RIte Care premiums to enhance affordability of overall family coverage**
        i. The first scenario for this action is to eliminate all RIte Care premiums from 150%-175%.
        ii. The second scenario for this action is to eliminate premiums for children up to 250% FPL only. This would ensure that parents would not have to pay two premiums.

5. Elena Nicolella: added that the collection of premiums results in $4.7 million in revenue annually, however we return half of that to the federal

government at a $2.3 million loss. The state collects premiums from households between 150% and 250% FPL. All Rite Care premiums for adults and children would be eliminated under the first scenario discussed in Action B and that is the $4.7 million reduction (or, $2.3 million accounting for federal take-back).

6. DIRECTOR LICHT pointed out a typo in the memo that referred to the range for premiums under discussion as 175-250% instead of 150—250% FPL.

7. THE LT. GOVERNOR Began a discussion of the second scenario under Action B. In this scenario the state would remove premiums for children only and the parents between 150-250% FPL would still pay a premium. She pointed out that one of the concerns is that adults over 175% FPL would be in the Exchange paying a commercial premium *and* still continuing to pay a premium for their children under Rite Care.

    a. SECRETARY CONSTANTINO reiterated that the double hit, sometimes referred to as a stacking premium, is only for those between 175% to 250% FPL.

8. THE LT. GOVERNOR: Requested that Elena confirm that the proposal to eliminate RIte Care premiums only for children is associated with a $1.1 million loss in general revenue and Elena confirmed that that was accurate. The Lt. Governor reiterated that it's $2.3 million loss in general revenue to eliminate all premiums. The Lt. Governor asked whether there were any questions on those budgetary impacts?
    a. Through discussion, the Executive Committee members present clarified that if the state chose the second scenario regarding eliminating RIte Care premiums for children, adults from 150-175 % would still pay a premium, but that for adults 175-250% FPL, there would not be a Medicaid premium because they'll be in the exchange paying a commercial premium.

9. Elena Nicolella explained that the use of a "household premium" would constitute a change in Medicaid policy. From an implementation perspective, it would require some significant operational changes. It would also require federal approval to change premium collections.

10. DIRECTOR LICHT wanted to ensure that the difference between the two RIte Care premium scenarios is what happens to those adults in between 150-175%? Elena explained that the difference is what happens to adults between 175% and 250% FPL. Eliminating premiums for children represents the status quo for adults between 150-175% (who would still pay the RIte Care premium for their coverage only, not their childrens' coverage), and the elimination of premiums for those above 175% (who

would be buying coverage through the Exchange and would no longer pay a premium in RIte Care for their children).

11. THE LT. GOVERNOR described the third action as a process solution. This recommendation says that we would track and study what happens to people at this income level between 128-250% FPL and produce a report on commercial and Medicaid coverage in those income-vulnerable areas.
    a. She described the goal as choosing an approach that ensures we move forward rather than back in coverage for these populations – the Lt. Governor emphasized this principle of not retreating on coverage already established in Rhode Island and thus staying the course on covering parents up to 175% of FPL.

12. SECRETARY CONSTANTINO began a discussion of how affordability is defined. In housing, for example, the subsidy programs treat anything over 30% of income as unaffordable. He asserted that with healthcare, it's much harder to make this decision because we don't know what to consider "affordable." We have either no premiums at all or a split or double premium; one on parents and one on kids.

13. COMMISSIONER KOLLER explained that the ACA uses a percent of income as the measure of affordability. There was a concern expressed that this ACA standard of 9.5% is different than Medicaid's standard of 5%.
    a. Elena Nicolella agreed and explained that these definitions trigger specific limits or requirements. Medicaid state agencies cannot impose cost sharing beyond 5% of household income. It's a policy not to impose more costs on those families. The 9.5% under ACA triggers whether or not you can opt out of your ESI coverage so it's a very different construction.

14. THE LT. GOVERNOR reminded them that we're also talking about people up to 250% who are eligible for Medicaid because we recognize the amount of income you have left after accounting for housing and food costs is a lot less the closer you are to 100% FPL than when you're at 400% FPL. That's probably why Medicaid sets affordability of health insurance premiums at 5% and not nearly 10%.
    a. COMMISSIONER KOLLER agreed that 9% of $60,000 is a lot different than 9% of $30,000.

    b. DIRECTOR LICHT added that The Lt. Governor raised a good point in that you can say it's a pure percentage but there's a notion that the less you earn, even though its the same percentage, it is harder to meet in order to also provide food and housing. At lower

income levels you may not have 9% of your income left after purchasing food and housing to afford healthcare.

15. SECRETARY CONSTANTINO explained that Medicaid's policy is actually at 3% in RI. The state does not go up to 5% though we're able to under the federal law.

16. THE LT. GOVERNOR reminded the group that the cost of living is a variable and things like housing, for example, must come into play. The decision is whether the status quo will remain and a two parent household will have considerable additional costs, or should RI make a policy change to avoid that scenario of stacking premiums.

17. Elena Nicolella reiterated that the scenario being discussed is of a family of four paying a RIte care premium and then also paying a family premium on the Exchange. Some families today are paying two premiums. For example this happens now with families over 135% and getting ESI, however, we don't collect that data currently.

18. SECRETARY CONSTANTINO tested with the group, the idea that the group's consensus following this meeting – particularly in light of the state's reduced revenue numbers being raised - would in fact be a recommendation to the Governor.

    a. THE LT. GOVERNOR agreed that the result of the discussion of this issue by the Executive Committee would be shared with the Governor in the form of a recommendation, through the Governor's Policy Director.

19. DIRECTOR LICHT reminded the group to consider that while improving coverage is the ultimate goal, the budgetary impact must be considered. He wondered if it wouldn't be wise to track data in the first year to see if the double premium issue actually drove people off of gaining coverage.

20. THE LT. GOVERNOR pointed out however that the state has had a policy for a long time to support coverage for families at this level of income who need assistance to access coverage because it's a financial hardship.

21. SECRETARY CONSTANTINO explained that even if we look at eliminating premiums for children and eliminate the double payment, despite the administrative burden, we've budgeted the parents already and made the decision to keep them covered.

22. DIRECTOR LICHT argued that if the decision was delayed a year the state can gain some insight to better understand how much of a barrier to

coverage the $91 and $62 Medicaid premiums pose in the post ACA environment, while acknowledging that eliminating Medicaid premiums for children but not adults will have a lesser budget impact.

23. COMMISSIONER KOLLER observed that the State has had a clear history on policy in terms of expanding coverage; we first covered kids, then pregnant moms and then as resources and values shifted, we expanded to families and extended eligibility higher for kids, which tells us something about our priorities. He added that under the ACA, this policy shifted to "everyone should be covered." Does that tell us that the priority in this case is keeping the families together administratively at whatever level they're at? If we were doing this from scratch, we wouldn't put kids in a different insurance system than we would their parents. We wouldn't differentiate that just by virtue of someone being low-income.

24. DIRECTOR LICHT pointed out however that families at this income level are going to have two different insurers no matter what – we're talking about what they pay for, not whether both parents and children will be covered by Medicaid. Medicaid will cover all kids up to 250%. What's happening because of the ACA between 175-250% is that the parents of those children will be in the Exchange. For these families there will be two different insurance options - one from Medicaid and one from the Exchange so its just whether they pay one or two premiums.

25. COMMISSIONER KOLLER clarified that he was suggesting we keep long-term policy goals in mind.

26. THE LT. GOVERNOR shared that her concern is that we don't put unexpected hardship on those least able to manage it and if there's a way to keep families together without making them pay more than they're able to, that should be the priority.

27. DIRECTOR LICHT wondered whether they could take what those people are paying – that subsidy – up to 250% and put it to work on the Exchange.
    a. Elena Nicolella clarified that children are covered up to 250% and we are prohibited from touching that under maintenance of effort requirements of the ACA.

28. COMMISSIONER KOLLER reminded the group the discussion was about losing $1.1 million in revenue to make coverage more affordable to these families and administratively simplifying coverage under one premium.

29. DIRECTOR LICHT agreed that while it's $1.1 million, but now that we're $26 million short in revenue the out years must also be considered. This

decision would not have a budget impact until January so we're actually only talking about $500-600,000 in the upcoming budget for the ½ year. This has to be considered in light of disappointing revenue estimates however.

30. THE LT. GOVERNOR asked the group to reach a policy recommendation in light of the costs associated with each scenario as well as in consideration of lost or deferred revenue that has implications on the fiscal side. She explained that this decision will ultimately be made by the Governor, and that this group needs to make a recommendation in light of each members' role in government.

31. DIRECTOR LICHT stated that as DOA Director and advisor on budget matters, its hard to not consider the budget, particularly without knowing how many people would be left out of coverage because of the cost and complexity two premiums. That said, for $1.1m, it wouldn't be worth *not* doing it.

32. SECRETARY CONSTANTINO reiterated that he is not comfortable with people paying two premiums given the fact that we're doing all this reform and yet would still have two premiums which seems counterproductive. If the goal is to make accessing coverage more user friendly, then having two premiums complicates that.

33. COMMISSIONER KOLLER offered some information to assist with the lack of "experience" with this policy question. The draft memo, states that 2,500 children get penalized for non-payment of premiums under Rite Care meaning that they go off of coverage for 4 months. There are only just under 10,000 subject to premiums so we're kicking off 25% off of coverage due to the premiums already, and they're off for 4 months.
    a. One can assume with the additional cost and additional step, that's a considerable estimate of people who will be affected. That's still at an "ouch" factor that will only increase if we don't take action.

34. SECRETARY CONSTANTINO stated that if he were to weigh in on the potential actions set forth in the memo regarding RIte Care premiums, he would weigh towards eliminating RIte Care premiums for children. "Affordability" would therefore be enhanced as to the state, the insurers, the premium holders, etc.

35. COMMISSIONER KOLLER agreed, pointing out that there are areas where $1 million could be found in the budget.

36. THE LT. GOVERNOR asked Director Licht whether there was some modifying language that would make him more comfortable with the recommendation of eliminating RIte Care premiums for children?
    a. DIRECTOR LICHT explained that it was a discomfort with the policy, but the concern is making the recommended in light of the budget context.

37. SECRETARY CONSTANTINO recommended phrasing it as a policy recommendation while recognizing that obviously the decision must be made within a context of a wide array of other budgetary choices that need to be made. The group agreed that this should be included in the memo.

38. DIRECTOR LICHT reiterated for the group and those attending that they were recommending the elimination of RIte Care premiums for chidren.

39. THE LT. GOVERNOR ensured the group that the memo would be redrafted, particularly with the initial paragraph recognizing the challenging fiscal situation and that it would then be submitted to the Governor for his consideration.

40. The Executive Committee members indicated agreement with this consensus and approach and the meeting was adjourned.

APPENDIX – TEXT OF REVISED MEMO

To: **Kelly Mahoney, Policy Director, Office of the Governor**
From: **Lt. Governor Elizabeth Roberts, Chair,**
Executive Committee of the RI Healthcare Reform Commission
cc: **Executive Committee Members**
Re: **Health Coverage Affordability Post-Affordable Care Act**
Date: **May 30, 2013**

A central focus of the Affordable Care Act is expanding access to health insurance. Despite the federal assistance available to make this possible both through expanded eligibility for Medicaid and tax credits to help low income purchasers buy commercial health insurance through the Exchange, there will still be low income Rhode Islanders who will struggle to find affordable coverage. The Executive Committee has examined the issue and forwards to the Governor for his consideration a three-part solution to enhance the affordability of health insurance. The Executive Committee makes this recommendation in recognition that it will become part of a broader set of considerations for finalizing the FY14 budget as a whole in the context of very challenging revenue projections.

Background
Over the last two decades, Rhode Island has developed a clear policy of expanding the number of children with access to health insurance. In order to reach this goal, the state has maximized the utilization of federal programs, including Medicaid and the State Child Health Insurance Program. Currently, Rhode Island provides coverage through Rite Care for children in families up to 250% of the federal poverty level. In 1998, Rhode Island extended coverage to parents of covered children, and currently provides access to Rite Care for families with incomes below 175% of federal poverty level.

The Medicaid program has implemented monthly premium charges for coverage at certain income levels as allowed by federal guidelines ranging from $61 per month to $92 per month. These premiums are charged on a monthly basis to a family. If a family misses payment on the premium twice during a 12-month period, they are disqualified from Rite Care for a period of four months. Although these premiums are small by comparison to the costs of commercial health insurance, approximately 3,000 Rhode Islanders lose their Medicaid coverage each year due to difficulties in paying these premiums.

Some low-income Rhode Island families will need to pay a premium for their children who are enrolled in RIte Care *and* pay an additional premium for the commercial insurance coverage purchased for the parents. This will happen in families that fall between 175% of poverty (the cutoff for parents on RIte Care) and 250% of poverty (the cutoff for children on RIte Care). The executive committee has

identified this as a barrier to the goal of affordable health insurance coverage for all Rhode Islanders.

Recommendations

The executive committee has identified a three-part solution to address the identified barrier to affordability. A number of potential strategies were discussed, including pursuing the implementation of a Medicaid-like program of coverage for the affected low income Rhode Islanders either through EOHHS (Basic Health Plan) or through the Exchange (Bridge Plan). The option of eliminating all RIte Care premiums was also discussed. After careful consideration of all the options, the recommended, three-part solution is:

1. **Continue the policy of providing RIte Care eligibility for parents with incomes up to 175% of the federal poverty level** – This is already included in the governor's FY2014 budget. The executive committee sees the extension of this policy in FY 2014 as an effective way to manage families' health care costs and to provide effective, coordinated care within a family. Under this scenario, more than 6,000 Rhode Islanders will remain covered under RIte Care and will therefore not incur double premiums and the risks of interruption of coverage discussed above.

2. **Address double premiums by eliminating RIte Care Premiums for Children -** Eliminating RIte Care premiums for children removes the additional monthly premium (double premium) burden on families with incomes between 175% and 250% of the federal poverty level. These families will be required to purchase insurance for the parents through the Exchange and if the RIte Care premium for children is not removed, these very low-income families will be paying two premiums for health insurance each month. Second, eliminating the Rite Care premiums for children will eliminate the four-month coverage gaps for Rhode Island children that are now occurring for approximately 2,500 children. This coverage gap causes not only a break in coverage for these children but imposes a costly administrative and paperwork burden on EOHHS and a burden on the families to constantly reenroll these children. The proposal would maintain Rite Care premium payments for parents only, which impacts those parents with incomes between 150% and 175% of the federal poverty level. These parents will *not* be subject to double premiums because they would remain eligible for RIte Care and would pay the single premium for that program. As a result, if this recommendation is accepted and premiums for RIte Care enrolled children are eliminated, even if parents between 150% and 175% of the federal poverty level experience an interruption in coverage due to non-payment of premium, the children in the household would remain in uninterrupted coverage. The general revenue impact of eliminating these premiums is roughly $1.1 million.

3. **Conduct detailed tracking of costs and take-up of insurance** – The first year of Affordable Care Act implementation will be a period of significant change as new programs and regulations take effect. Despite efforts at forecasting, the exact levels of cost and take-up are not known with certainty. The executive committee recommends detailed reports at 3 month, 6 months and 12 months post-implementation to understand the issue of insurance affordability for persons with incomes between 138% and 250% of the federal poverty level. The report should be produced as a coordinated effort between EOHHS, OHIC and the Exchange and should analyze whether other mitigation strategies such as a Basic Health Plan or Bridge plan option would be better solutions to affordability gaps not fully understood today.